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Preservation Tax Incentives...

Clemson University



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TAX INCENTIVES FOR HISTORIC BUILDINGS

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A community's historic buildings are the tangible links with its past and reflect its unique character; various Federal laws now exist to encourage the preservation of these irreplaceable resources. Since 1976 the Internal Revenue Code has contained incentives to stimulate capital investment in income-producing historic buildings and the revitalization of historic communities.

On October 22, 1986, the Tax Reform Act of 1986 (PL 99-514) was signed into law, making comprehensive changes to the Internal Revenue Code. The intent of the law is to reduce inequities in the tax system; reduce personal and corporate tax rates; broaden the tax base by eliminating or reducing a number of deductions, tax credits, and special benefits; and restore economic factors rather than tax consequences as the primary impetus to business and investment decisions. A number of the changes directly affect the rehabilitation of historic buildings.

The Tax Reform Act of 1986 establishes:

- a 20% tax credit for the substantial rehabilitation of historic buildings for commercial, industrial and rental residential purposes, and a 10% tax credit for the substantial rehabilitation for nonresidential purposes of buildings built before 1936.
- a straight-line depreciation period of 27.5 years for residential property and 31.5 years for nonresidential property for the depreciable basis of the rehabilitated building reduced by the amount of the tax credit claimed.

The 10% tax credit is *not* available for rehabilitations of **certified historic structures**, and owners who have properties within **registered historic districts** and who wish to elect this credit must obtain certification that their buildings are not historic. (See "Certifications of Significance, Properties within Registered Historic Districts.")

In general, the provisions of the Tax Reform Act of 1986 are effective on January 1, 1987. (See "Transition Rules" and "Provisions of Prior Tax Laws.") These provisions may affect the tax benefits from

rehabilitation projects already completed and certified, as well as pending and future projects. Because the provisions of the Tax Reform Act of 1986 are complex, individuals are strongly encouraged to consult legal counsel, a professional tax advisor, or the appropriate local Internal Revenue Service (IRS) office for assistance in determining the tax consequences of the provisions described in this booklet. The descriptions herein are provided for general informational purposes only.

HISTORIC BUILDINGS AND REHABILITATIONS AFFECTED BY THE TAX PROVISIONS

Preservation tax incentives are available for any qualified project that the Secretary of the Interior designates a **certified rehabilitation** of a **certified historic structure**. Certification requests are made through the appropriate State Historic Preservation Officer (SHPO); certifications are issued by the National Park Service (NPS). A two-part Historic Preservation Certification Application (NPS Form 10-168), which is used for obtaining required certifications of both the historic building and the rehabilitation, is available from the appropriate SHPO or NPS regional office, at the addresses printed at the end of this booklet.

Under the provisions of the Internal Revenue Code:

- A **certified historic structure** is any building that is listed individually in the National Register of Historic Places, or located in a **registered historic district** and certified as being of historic significance to the district.
- A **registered historic district** is any district that is listed in the National Register of Historic Places, or designated under a state or local statute which has been certified as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of significance to the district and which is certified as substantially meeting all of the requirements for the listing of districts in the National Register.
- A **certified rehabilitation** is any rehabilitation of a **certified historic structure** that is certified as being consistent with the historic character of the property and, where applicable, the district in which it is located.

To be eligible for the tax credits for rehabilitation, a project must meet the basic tax requirements of the Internal Revenue Code as well as the certification requirements. The building must be a depreciable building (*i.e.*, used in a trade or business or held for

the production of income) and not an owner-occupied residence. The rehabilitation costs must exceed the greater of the adjusted basis of the building or \$5,000 within a 24-month period. For purposes of the charitable contributions only, **certified historic structures** need not be depreciable buildings to qualify.

Owners of properties either listed individually or within districts in the National Register of Historic Places are eligible to apply for certifications. Owners of properties located in state or local districts may also apply for certifications, if the statutes under which the districts were established have been certified. The districts themselves must also have been certified as substantially meeting National Register Criteria for Evaluation. Preliminary determinations of significance may be requested for buildings which are not yet listed in the National Register or which are located in potential historic districts. (See “Obtaining the Necessary Certifications.”)

TAX CREDITS FOR HISTORIC REHABILITATIONS

Section 251 of the Tax Reform Act of 1986 (IRC Section 46 and 48) permits an owner (or a lessee with a lease term of 27.5 years for residential or 31.5 years of nonresidential property) to elect a 20% tax credit on qualified rehabilitation expenditures incurred from January 1, 1987, in connection with a **certified rehabilitation**. The building can be used for industrial, commercial, or rental residential purposes.

The **certified historic structure** must be substantially rehabilitated with the qualified expenditures exceeding the greater of \$5,000 or the adjusted basis of the building. The adjusted basis is generally the actual cost of the property minus the cost of the land, plus any capital improvements already made, minus any depreciation already taken. The expenditure test to qualify for the tax credit must be met within a 24-month period or over a 60-month period for phased projects if written architectural plans and specifications are completed before the rehabilitation begins.

Depreciation

Rehabilitated property that is placed in service after December 31, 1986, is depreciated using the straight-line method over 27.5 years for residential property and over 31.5 years for nonresidential property. The depreciable basis of the rehabilitated building must be reduced by the full amount of the tax credit claimed. Alternatively, rehabilitated property may be depreciated using the 40-year straight-line method (also with a full adjustment to basis by the amount of the credit). The difference between depreciation deductions using the 40-year straight-line and the 27.5 or 31.5 straight-line methods is treated as an item of tax preference under the Tax Reform Act of 1986. (See "Alternative Minimum Tax.")

Transition Rules

A 25% tax credit will apply to certified rehabilitations that:

1. are completed pursuant to a contract that was binding on March 1, 1986;

2. were acquired pursuant to a contract that was binding on March 1, 1986, if
 - (A) Part 1 and Part 2 of the Historic Preservation Certification Application were on file with the SHPO or the NPS before March 2, 1986, or
 - (B) the lesser of \$1 million or 5% of qualified rehabilitation expenditures was incurred before March 2, 1986, or required to be incurred pursuant to a contract that was binding on March 1, 1986; or
3. were listed specifically in the Tax Reform Act of 1986.

Such certified rehabilitation projects must be placed in service prior to January 1, 1994. For rehabilitations of non-historic buildings which meet this transition rule, 10% and 13% tax credits will be substituted for the 15% and 20% tax credits, respectively.

Alternative, shorter depreciation methods apply to property that was subject to a binding contract for acquisition or constructions as of March 1, 1986, or was significantly under construction as of March 1, 1986, if such property is placed in service before January 1, 1991.

Retention of External Walls

Effective January 1, 1987, **certified rehabilitations** do not have to meet a specified physical test for retention of external walls or internal structure framework other than NPS rehabilitation certification requirements. **Certified rehabilitations**, however, generally should satisfy the external wall retention test given below. In appropriate instances (*e.g.*, when existing external walls detract from the historic character of the structure, or the historic district in which it is located, or when such walls have lost their integrity due to deterioration), the rehabilitation may be certified notwithstanding the loss of or alteration to the external walls or structural framework. For rehabilitations of non-historic buildings, the Tax Reform Act of 1986 requires that during the course of rehabilitation,

- at least 50 % of the building's existing walls must be retained in place as external walls, and
- at least 75% of the building's existing external walls must be retained in place as either external or internal walls, and
- at least 75% of the building's internal structural framework must remain in place.

Claiming the Investment Tax Credit

The tax credit must be claimed for the tax year in which the rehabilitated building is placed in service. For phased projects, the tax credit may be claimed before completion of the entire project on the basis of "qualified progress expenditures" if construction is planned for two or more years. The IRS requires that a copy of the final NPS certification of completed work be filed with the tax return claiming the tax credit.

In the event final certification has not yet been received when the taxpayer files the tax return claiming the credit, a copy of the first page of the Historic Preservation Certification Application —Part 2 — Description of Rehabilitation, with evidence that it has been received by either the SHPO or the NPS (date-stamped application or other notice is sufficient indication of receipt) should be filed with the tax return. In such cases, the taxpayer has up to 30 months after the date of the tax return claiming the tax credit to submit final certification of the rehabilitation to the IRS.

Recapture of the Credit

Generally, if a qualified rehabilitated building is held by the taxpayer for longer than five years after the rehabilitated building is placed in service, there is no recapture of the tax credit. If the owner disposes of the property after a holding period of less than one year after it is placed in service, 100% of the tax credit is recaptured. For properties held between one and five years, the tax credit recapture amount is reduced by 20% per year. The NPS may inspect a rehabilitated property at any time during the 5-year period and may revoke certification if work was not undertaken as presented in the Historic Preservation Certification

Application or if further unapproved alterations have been made. The NPS will notify the IRS of any such revocations.

OBTAINING THE NECESSARY CERTIFICATIONS

The procedures for obtaining historic preservation certifications are more fully explained in Title 36 of the Code of Federal Regulations, Part 67. These regulations published by the Department of Interior control in the event of any inconsistency with this booklet. (See also Department of the Interior, 36 CFR Part 67, Final Regulations, "Historic Preservation Certifications" published in the *Federal Register*, February 26, 1990, FR6764.)

Role of the State Historic Preservation Officer

Property owners interested in obtaining Federal tax incentives should contact their SHPO for obtaining the necessary application forms and for information on complying with procedural requirements for certification. Each SHPO has complete records of buildings and districts listed in the National Register of Historic Places, including state and local historic districts, and can provide both technical assistance and literature on selecting appropriate rehabilitation treatments and techniques.

All applications are submitted to the SHPO where they receive a thorough review for completeness of documentation and appropriateness of rehabilitation work before being forwarded to the appropriate NPS regional office. Owners seeking certifications must provide sufficient information in the application to permit the review and evaluation required prior to a decision on certification. The recommendation of a SHPO receives careful attention at the Federal level. Early consultation with the SHPO can help avoid problems and delays in obtaining the necessary certifications.

Role of the National Park Service

The NPS reviews all certification requests for conformance to legal standards and issues the certifications and approvals described in this section in writing directly to the property owner or applicant for certification. Owners denied certification of significance or rehabilitation may appeal under

Department of the Interior regulations governing certifications for preservation tax incentives.

Role of the Internal Revenue Service

The IRS is responsible for all procedures and other legal matters concerning the tax consequences of certifications, including determining which rehabilitation expenditures qualify for the tax credit. The IRS regulations governing the tax credits for rehabilitation expenditures are contained in Title 26 of the Code of Federal Regulations, Parts 1 and 602, which control in the event of any inconsistency with the descriptions of the tax consequences of the provisions described in this booklet. (See also Internal Revenue Service, 26 CFR Parts 1 and 602, Final Regulations, “Investment Tax Credit for Qualified Rehabilitation Expenditures,” published in the *Federal Register*, October 11, 1988, FR 39589.)

Certifications of Significance

Properties Individually Listed in the National Register

All individually listed National Register buildings are considered **certified historic structures** if they are subject to depreciation (this latter requirement does not apply for purposes of charitable contributions). Owners of these buildings generally do not have to complete a Historic Preservation Certification Application, Part 1 — Evaluation of Significance. To determine whether or not a property is individually listed in the National Register, a property owner should consult the SHPO or the listing of the National Register entries in the *Federal Register* found in most large libraries.

Properties within Registered Historic Districts

Owners of buildings located within a **registered historic district** must complete Part 1 application according to the instructions included with the application. A Part 1 receives a thorough review by the SHPO prior to submission to the NPS for a certification decision. Part 1 applications are used to obtain determinations of the following:

- a depreciable building is of historic significance to the district and is a **certified historic structure** for purposes of rehabilitation; or
- a depreciable building is not of historic significance to the district for purposes of the 10% tax credit for rehabilitation of non-historic buildings; or
- a depreciable or non-depreciable building is of historic significance to the district and is a **certified historic structure** for purposes of a charitable contribution for conservation purposes.

For certification purposes, the historic significance of a building to the historic district in which it is located is evaluated in accordance with the “Standards for Evaluating Significance within Registered Historic Districts,” printed elsewhere in this booklet.

Preliminary Determinations of Significance

A Part 1 application as described above, may also be used to obtain preliminary determinations of significance for buildings which appear to meet National Register criteria but are not yet listed in the National Register or which are located in potential historic districts. Property owners may request preliminary determinations as to whether such buildings may qualify as **certified historic structures** when and if the building or potential historic district is listed in the National Register. Such determinations are not binding and become final as of the date of the listing of the building or historic district in the National Register.

Such a preliminary determination may also be obtained by using a Part 1 application for a building in a **registered historic district** that is outside the period or area of significance of the district as documented with the NPS. These preliminary determinations become final when the district documentation on file with the NPS is formally amended.

Certifications of Rehabilitation

A property owner seeking certification of rehabilitation work involving a **certified historic**

structure must submit a Historic Preservation Certification Application, Part 2 — Description of Rehabilitation, according to instructions included with the application. Part 2 may be completed at any time during the course of the rehabilitation work, although owners are strongly encouraged to submit proposed work for approval prior to construction. A Part 2 application also receives a thorough review by the SHPO prior to being forwarded to the NPS for a certification decision.

A project does not become a **certified rehabilitation** eligible for the tax incentives until it is completed and so designated by the NPS. When a project which has received a preliminary approval of proposed work is completed, the owner must submit a Request for Certification of Completed Work. If preliminary approval has not been requested before completion of a rehabilitation project, the Part 2 and the Request for Certification of Completed Work must be submitted simultaneously.

All rehabilitation projects that owners wish certified for purposes of Federal tax incentives are reviewed and evaluated in accordance with “The Secretary of the Interior’s Standards for Rehabilitation.” These 10 Standards (printed elsewhere in this booklet) pertain to historic buildings of all materials, construction types, sizes, and occupancy and encompass the exterior and interior of historic buildings. The Standards also encompass related landscape features and the building’s site and environment as well as attached, adjacent or related new construction. The Standards are used to determine whether the historic character of a building is preserved through the process of rehabilitation.

Although rehabilitation assumes that some repair or alteration of the historic building will occur to provide for an efficient use, the project must not damage or destroy the material and features, both interior and exterior, that are important in defining the building’s historic character. The entire project (including any related demolition or new construction) is reviewed and is certified only if the overall rehabilitation project meets the Standards.

Processing Fees

Application processing fees are charged by the NPS for reviews of requests for certification of rehabilitation except for projects under \$20,000.

Payment should not be sent until requested by the NPS, and applicants will be notified of the amount to be submitted by return mail. Final action will not be taken on an application until payment is received. Fees are not refundable.

The fee review of proposed or ongoing rehabilitation work for all projects over \$20,000 is \$250. The fee for review of completed rehabilitation work is based on the dollar amount spent on the rehabilitation as follows:

<i>Fee</i>	<i>Size of Rehabilitation</i>
\$500	\$20,000 to \$99,999
\$800	\$100,000 to \$499,999
\$1,500	\$500,000 to \$999,999
\$2,500	\$1,000,000 or more

If a review of proposed or ongoing rehabilitation work has been made prior to submission of the Request for Certification of Completed Work, the NPS will deduct the \$250 from the total owed for review of completed rehabilitation work. In general, each rehabilitation of a **certified historic structure** will be considered a separate project when computing the amount of the fee.

Certification of State and Local Statutes and Historic Districts

A building located in a state or local historic district can also qualify for preservation tax incentives if the statute or ordinance creating the district has been certified; if the district has been certified as substantially meeting National Register criteria; and if the property is certified as being of historic significance to the district.

To be eligible for certification, statutes establishing a district or districts must contain criteria that substantially achieve the purpose of preserving and rehabilitating buildings of historic significance to the district. At a minimum, the statute should provide for

a duly designated review body, such as a board or commission, with the power to review proposed alterations to buildings of historic significance within designated districts.

The requests for certification of statutes and state or local historic districts designated thereunder must be made to the SHPO by an authorized representative of the governmental body that enacted the law.

Documentation must include copies of the statute and related bylaws or ordinances, and, in the case of local historic district statutes, copies of applicable enabling state legislation. District documentation must include a description of its appearance, a statement of significance, a map defining the boundaries, an indication of buildings that do not contribute to the district's significance, and representative photographs. The SHPO reviews the documentation and forwards it with a recommendation to the appropriate NPS regional office. Notifications of certification are sent directly to the authorized governmental representative by the NPS.

OTHER TAX PROVISIONS AFFECTING USE OF PRESERVATION TAX INCENTIVES

This section discusses other provisions of the Tax Reform Act of 1986 that may affect use of preservation tax incentives depending on the nature of the investment in a certified rehabilitation project and the taxpayer's income. Specialized tax advice should be sought for a full interpretation of the effect of these provisions.

Passive Losses and Credits

Effective January 1, 1987, income and losses are divided, in effect, into three categories: "active" (salaries, wages, business income), "portfolio" (interest, dividends), and "passive" (generally income from businesses in which the taxpayer does not materially participate). Rental real estate, other than that involving services such as hotels, is considered a passive activity irrespective of the taxpayer's material participation. Material participation is defined as involvement in the activity on a *regular, continuous, and substantial basis*; limited partners are categorized as not materially participating. Generally, taxpayers will be barred from using losses and credits from passive sources to avoid taxes on active or portfolio income; losses and credits from passive sources will be allowed only against other passive income.

Under special rules described below, a limited annual amount of losses and the deduction equivalent of credits from passive sources may be allowed against active income by certain taxpayers who "actively participate" in their rental real property activities (both historic and non-historic). For example, if such a taxpayer incurs \$10,000 in losses from a rental property, the amount remaining for computation of available tax credits is \$15,000 of active income (\$25,000 annual limitation). "Active participation" will be specifically defined by the IRS in regulations but appears to be less restrictive than "material participation."

Passive Loss Rules for Rental Real Estate

Taxpayers who "actively participate" and have incomes less than \$100,000 (generally, adjusted gross

income with certain modifications) may take up to \$25,000 in losses annually from rental properties. This \$25,000 annual limit on losses is reduced for individuals with incomes between \$100,000 and \$150,000 and eliminated for individuals with incomes over \$150,000.

Passive Credit Exemption

Tax credits from rental property activities can be used to offset the *tax* owed on up to \$25,000 of “active income.” *The exemption is not a \$25,000 credit but computation of a credit on the tax on up to \$25,000 of “active income.”* (Referred to above as the deduction equivalent.) Furthermore, the \$25,000 amount is first reduced by losses from rental real estate allowed under the “active participation” rule above. The passive credit exemption is phased out in the same manner as the passive loss exemption.

Passive Credit Rules for Certified Rehabilitations and Low-Income Housing

The \$25,000 allowance for credits (*but not losses*) from certified rehabilitations and low-income housing is available to taxpayers (*including limited partners*) without regard to the active participation requirements and is phased out for individuals with incomes between \$200,000 and \$250,000.

Transition Rules for Pre-Enactment Investments

The passive losses/credits rule will be phased in over five years for taxpayers who have invested in passive activities prior to October 22, 1986. In this case, investment in a passive activity means that the property was owned by the taxpayer or was the subject of a binding contract on October 22, 1986, and that the passive activity was being conducted as of that date. An investment in a passive activity commencing after October 22, 1986, qualifies for the pre-enactment phase-in provisions if the property was acquired pursuant to a binding contract in effect on August 16, 1986, or was under construction on or before August 16, 1986. Investors who meet the pre-enactment tests for passive activities may take 65% of their existing tax benefits (losses and credits) in taxable year 1987; 40% in taxable year 1988; 20% in taxable year 1989; and 10%

in taxable year 1990, with full elimination of passive losses, credits in 1991. Unused passive losses and credits can be carried forward indefinitely and can be applied against gains upon disposition of the property.

At-Risk Rules

Section 503 of the Tax Reform Act of 1986 (IRC Section 465) extends the at-risk rules to real estate investments made after December 31, 1986. Under this provision a taxpayer will be able to deduct losses and obtain credits from a real estate investment only to the extent that the taxpayer is "at-risk" for the investment. The amount that a taxpayer is "at-risk" is generally the sum of cash or property contributions to the project plus any borrowed money for which the taxpayer is personally liable, including certain borrowed amounts which are secured by the property used in the project. In addition, in the case of the activity of holding real property, the amount "at-risk" includes qualified non-recourse financing borrowed from certain financial institutions or government entities.

Alternative Minimum Tax

Section 701 of the Tax Reform Act of 1986 (IRC Section 55-59) increases the alternative minimum tax rate from 20% to 21% and increases the number of tax preference items that must be used to calculate alternative minimum taxable income. Alternative minimum taxable income is computed from regular taxable income with certain adjustments and the addition of all appropriate tax preference items. New tax preference items include:

1. **Excess depreciation** — For property placed in service after December 31, 1986, the difference between the depreciation allowance using the straight-line method over a 27.5/31.5-year period and the depreciation allowance using the straight-line method over a 40-year period.
2. **Untaxed gains or charitable contributions** — The appreciated value of property donated as a charitable contribution that has not been subject to a capital gains tax.

CHARITABLE CONTRIBUTIONS FOR HISTORIC PRESERVATION PURPOSES

The Tax Reform Act of 1986 retains the provisions established by Section 6 of the Tax Treatment Extension Act of 1980 (IRC Section 170) that permit income and estate tax deductions for charitable contributions of partial interests in historic property. Generally, the IRS considers that a donation of a qualified real property interest to preserve a **historically important land area** or a **certified historic structure** meets the test of a charitable contribution for conservation purposes. For purposes of the charitable contribution provisions only, a **certified historic structure** need not be depreciable to qualify, may be a structure other than a building and may also be a remnant of a building such as a facade, if that is all that remains, and may include the land area on which it is located. (See “Obtaining the Necessary Certifications” on obtaining **certified historic structure** designation.)

The IRS definition of **historically important land areas** is contained in the Code of Federal Regulations at 26 CFR 1.170A-14(d)(5) and includes:

- independently significant land areas including any related historic resources that meet National Register Criteria for Evaluation;
- land areas within **registered historic districts**, including any buildings, that contribute to the significance of the historic district; and
- land areas adjacent to a property individually listed in the National Register of Historic Places (but not within a historic district) where physical or environmental features of the land area contribute to the historic or cultural integrity of the historic property.

For taxpayers who itemize deductions, the charitable contribution deduction for partial interests in historic property remains. Under the new alternative minimum tax provisions, the untaxed appreciation in property that is the subject of a charitable contribution is treated as an item of tax preference for gifts made after December 31, 1986. (For carryovers of unused charitable contribution deductions made before August 16, 1986, untaxed appreciation is not a tax preference item.)

Under the new alternative minimum tax provisions, the full fair market value of a donated preservation or conservation easement on property, which has appreciated since the taxpayer acquired it, could be used to reduce the donor's adjusted gross income for purposes of computation of regular tax liability, but the appreciated portion of the donation must be used for purposes of computing the donor's alternative minimum tax. (See "Other Tax Provisions Affecting Use of Preservation Tax Incentives, Alternative Minimum Tax.")

INVESTMENT TAX CREDIT FOR LOW INCOME HOUSING

Section 252 of the Tax Reform Act of 1986 (IRC Section 42) provides for an investment tax credit for acquisition, construction, or rehabilitation of qualifying units of low income housing. There is a 9% tax credit per year for 10 years for each unit of low income housing acquired, constructed, or rehabilitated without other Federal subsidies and a 4% tax credit for 10 years for units involving Federal subsidies or tax-exempt bonds. Qualifying rehabilitations under this provision must meet tests relating to cost per unit; number of units occupied by individuals with incomes below area median income; and a 15-year compliance period.

REHABILITATIONS INVOLVING GOVERNMENTS AND TAX-EXEMPT ENTITIES

Generally, property used by governmental bodies, nonprofit organizations, or tax-exempt entities is not eligible for the rehabilitation tax credits and must be depreciated over the greater of 40 years or 125% of the term of the lease to the tax-exempt organization. If more than 35% of a property is in "tax-exempt use," the taxpayer cannot claim the tax credits for rehabilitation of the property. Tax-exempt use property is property leased to a governmental body or tax-exempt entity and:

- the lease term exceeds 20 years; or
- the lease occurs after the sale or long-term lease to the taxpayer (sale/leaseback); or
- the lease includes an option to purchase; or
- all or part of the property was financed by tax-exempt bonds and the tax-exempt entity participated in the financing.

Property that is owned by a tax-exempt entity or governmental body and that is predominately used by the lessee (taxpayer) in an unrelated trade or business, the income of which is subject to Federal income tax, is eligible for the rehabilitation tax credits.

PROVISIONS OF PRIOR TAX LAWS

Tax Reform Act of 1976 (Public Law 94-455)

provided: 5-year amortization of qualified expenditures incurred in the rehabilitation of **certified historic structures** or, alternatively, accelerated depreciation of substantially rehabilitated historic structures; denial of deduction for costs of demolishing a **certified historic structure**; restriction to straight-line depreciation of buildings constructed on the site of a demolished or substantially altered **certified historic structure**.

Revenue Act of 1978 (Public Law 95-600) provided: a 10% tax credit for qualified expenditures incurred in the rehabilitation of a building that had been in use for a period of at least 20 years before the commencement of the rehabilitation.

Economic Recovery Tax Act of 1981 (Public Law 97-34) provided: a 25% tax credit for **certified rehabilitations of certified historic structures**, a 20% credit for rehabilitations of structures over 40 years old and a 15% tax credit for rehabilitations of structures 30-39 years old combined with 15-year straight-line depreciation.

Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) required: reduction in the depreciable basis of buildings rehabilitated utilizing the 25% tax credit by one-half of the amount of the credit.

Tax Reform Act of 1984 (Public Law 98-369) provided: lengthened depreciation periods of 18 years, subsequently 19 years; denial of tax credits to rehabilitations of tax-exempt use property; permanent requirement that cost of demolition of all buildings to be added to basis of land where building was located before demolition.

THE SECRETARY OF THE INTERIOR'S STANDARDS FOR EVALUATING SIGNIFICANCE WITHIN REGISTERED HISTORIC DISTRICTS

1. A building contributing to the historic significance of a district is one which by location, design, setting, materials, workmanship, feeling and association adds to the district's sense of time and place and historical development.
2. A building not contributing to the historic significance of a district is one which does not add to the district's sense of time and place and historical development; or one where the integrity of the location, design, setting, materials, workmanship, feeling and association has been so altered or has so deteriorated that the overall integrity of the building has been irretrievably lost.
3. Ordinarily buildings that have been built within the past 50 years shall not be considered to contribute to the significance of a district unless a strong justification concerning their historical or architectural merit is given or the historical attributes of the district are considered to be less than 50 years old.

THE SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

The following Standards are to be applied to specific rehabilitation projects in a reasonable manner, taking into consideration economic and technical feasibility.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation

measures shall be undertaken.

9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

**NATIONAL PARK SERVICE
REGIONAL OFFICES
ISSUING CERTIFICATIONS AND
ASSOCIATED STATES**

Alaska Region

Preservation Tax Incentives
National Park Service
2525 Gambell Street, Room 107
Anchorage, Alaska 99503
(907) 271-2641

Alaska

Mid-Atlantic Region

Preservation Tax Incentives
National Park Service
U.S. Customs House
Second Floor
Second and Chestnut Streets
Philadelphia, Pennsylvania 19106
(215) 597-5129

Connecticut, Delaware, District of Columbia, Indiana,
Maine, Maryland, Massachusetts, Michigan, New
Hampshire, New Jersey, New York, Ohio,
Pennsylvania, Rhode Island, Vermont, Virginia, West
Virginia

Rocky Mountain Region

Preservation Tax Incentives
National Park Service
12795 West Alameda Parkway
P.O. Box 25287
Denver, Colorado 80225
(303) 969-2875

Colorado, Illinois, Iowa, Kansas, Minnesota,
Missouri, Montana, Nebraska, New Mexico, North
Dakota, Oklahoma, South Dakota, Texas, Utah,
Wisconsin, Wyoming

Southeast Region

Preservation Tax Incentives
National Park Service
75 Spring Street, SW
Atlanta, Georgia 30303
(404) 331-2632

Alabama, Arkansas, Florida, Georgia, Kentucky,
Louisiana, Mississippi, North Carolina, Puerto Rico,
South Carolina, Tennessee, Virgin Islands

Western Region

Preservation Tax Incentives
National Park Service
450 Golden Gate Avenue
P.O. Box 36063
San Francisco, California 94102
(415) 556-7741

Arizona, California, Hawaii, Idaho, Nevada, Oregon,
Washington

STATE HISTORIC PRESERVATION OFFICERS

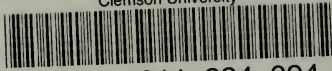
Alabama: Executive Director, Alabama Historical Commission, 725 Monroe Street, Montgomery, AL 36130. (205) 261-3184. **Alaska:** Chief, History and Archaeology, Department of Natural Resources, Division of Parks and Outdoor Recreation, P.O. Box 107001, Anchorage, AK 99510-7001. (907) 762-2622. **Arizona:** Chief, Office of Historic Preservation, Arizona State Parks, 800 West Washington, Suite 415, Phoenix, AZ 85007. (602) 542-4009. **Arkansas:** Director, Arkansas Historic Preservation Program, The Heritage Center, Suite 300, 225 East Markham, Little Rock, AR 72201. (501) 371-2763. **California:** State Historic Preservation Officer, Office of Historic Preservation, Department of Parks and Recreation, P.O. Box 942896, Sacramento, CA 94296-0001. (916) 322-9614. **Colorado:** President, Colorado Historical Society, Colorado History Museum, 1300 Broadway, Denver, CO 80203-2137. (303) 866-2136. **Connecticut:** Director, Connecticut Historical Commission, 59 South Prospect Street, Hartford, CT 06106. (203) 566-3005. **Delaware:** Director, Division of Historical and Cultural Affairs, Hall of Records, Dover, DE 19901. (302) 736-5685. **District of Columbia:** Director, Department of Consumer and Regulatory Affairs, 614 H Street, NW, Suite 321, Washington, D.C. (202) 727-7360. **Florida:** Director, Division of Historical Resources, Department of State, The Capitol, Tallahassee, FL 32399-0250. (904) 487-2333. **Georgia:** Commissioner, Department of Natural Resources, 1252 Floyd Towers East, 205 Butler Street, SE, Atlanta, GA 30334. (404) 656-2840. **Hawaii:** State Historic Preservation Officer, Department of Land and Natural Resources, P.O. Box 621, Honolulu, HI 96809. (808) 548-7460. **Idaho:** Director, Idaho Historical Society, 210 Main Street, Boise, ID 83702. (208) 334-3861. **Illinois:** Director, Illinois Historic Preservation Agency, Old State Capitol, Springfield, IL 62701. (217) 785-4512. **Indiana:** Director, Department of Natural Resources, 608 State Office Building, Indianapolis, IN 46204. (317) 232-1646. **Iowa:** Administrator, Historical Society of Iowa, Capitol Complex, East 6th and Locust Street, Des Moines, IA 50319. (515) 281-8637. **Kansas:** Executive Director, Kansas State Historical Society, 120 West 10th Street, Topeka, KS 66612. (913) 296-4230. **Kentucky:** Director, Kentucky Heritage Council, Capitol Plaza Tower, 12 th Floor, Frankfort, KY 40601. (502) 564-7005. **Louisiana:** Assistant Secretary, Office of Cultural Development, P.O. Box 44247, Baton Rouge, LA 70804. (504) 342-8160. **Maine:** Director, Maine Historic Preservation Commission, 55 Capitol Street, Station 65, Augusta, ME 04333. (207) 289-2132. **Maryland:** Executive Director, Historical and Cultural Programs, Department of Housing and Community Development, 45 Calvert Street, Annapolis, MD 21401. (301) 974-5000. **Massachusetts:** Executive Director, Massachusetts Historical Commission, 80 Boylston Street, Suite 310, Boston, MA 02116. (617) 727-8470. **Michigan:** Director, Bureau of History, Department of State, 208 North Capitol Avenue, Lansing, MI 48918. (517) 373-2727. **Minnesota:** Director, Minnesota Historical Society, 690 Cedar Street, St. Paul, MN 55101. (612) 296-1171. **Mississippi:** Director, State of Mississippi Department of Archives and History, P.O. Box 571, Jackson, MS 39205. (601) 359-1424. **Missouri:** Director, State Department of Natural Resources, P.O. Box 176, Jefferson City, MO 65102. (314) 751-7859. **Montana:** State Historic Preservation Officer,

Montana Historical Society, Veterans Memorial Building, 225 North Roberts Street, Helena, MT 59620. (406) 444-7715. **Nebraska:** Director, The Nebraska State Historical Society, 1500 R Street, P.O. Box 82554, Lincoln, NE 68501. (402) 471-4770. **Nevada:** Director, Department of Conservation and Natural Resources, Nye Building, Room 213, 201 South Fall Street, Carson City, NV 89710. (702) 885-5138. **New Hampshire:** Director, Division of Historic Resources, P.O. Box 2043, Concord, NH 03301. (603) 271-3558. **New Jersey:** Commissioner, Department of Environmental Protection, CN-402, 401 East State Street, Trenton, NJ 08625. (609) 292-2023. **New Mexico:** State Historic Preservation Officer, Historic Preservation Division, Office of Cultural Affairs, Villa Rivera, Room 101, 228 East Palace Avenue, Santa Fe, NM 87503. (505) 827-8320. **New York:** Commissioner, Office of Parks, Recreation and Historic Preservation, Agency Building #1, Empire State Plaza, Albany, NY 12238. (518) 474-0479. **North Carolina:** Director, Division of Archives and History, Department of Cultural Resources, 109 East Jones Street, Raleigh, NC 27611. (919) 733-4763. **North Dakota:** State Historic Preservation Officer, North Dakota Historical Society, North Dakota Heritage Center, Bismark, ND 58505. (701) 224-2672. **Ohio:** State Historic Preservation Officer, Ohio Historic Preservation Office, Ohio Historical Center, 1985 Velma Avenue, Columbus, OH 43211. (614) 297-2470. **Oklahoma:** Executive Director, Oklahoma Historical Society, Wiley Post Historical Building, 2100 North Lincoln, Oklahoma City, OK 73105. (405) 521-2491. **Oregon:** State Parks Superintendent, 525 Trade Street, SE, Salem, OR 97310. (503) 378-5001. **Pennsylvania:** State Historic Preservation Officer, Pennsylvania Historical and Museum Commission, P.O. Box 1026, Harrisburg, PA 17108. (717) 787-8946. **Commonwealth of Puerto Rico:** State Historic Preservation Officer, Box 82, La Fortaleza, San Juan, PR 00901. (809) 721-3012. **Rhode Island:** State Historic Preservation Officer, Historical Preservation Commission, Old State House, 150 Benefit Street, Providence, RI 02903. (401) 277-2678. **South Carolina:** Director, Department of Archives and History, P.O. Box 11669, Capitol Station, Columbia, SC 29211. (803) 734-8515. **South Dakota:** State Historic Preservation Officer, Historical Preservation Center, P.O. Box 417, Vermillion, SD 57069. (605) 677-5314. **Tennessee:** State Historic Preservation Officer, Department of Conservation, 701 Broadway, Nashville, TN 37219-5237. (615) 742-6728. **Texas:** Executive Director, Texas State Historical Commission, P.O. Box 12276, Capitol Station, Austin, TX 78711. (512) 463-6094. **Utah:** State Historic Preservation Officer, Utah State Historical Society, 300 Rio Grande, Salt Lake City, UT 84101. (801) 533-7039. **Vermont:** Director, Division for Historical Preservation, 58 East State Street, c/o Pavilion Office Building, Montpelier, VT 05602. (802) 828-3226. **Virginia:** Director, Department of Historic Resources, 221 Governor Street, Richmond, VA 23219. (804) 786-3143. **Virgin Islands:** Commissioner, Department of Planning and Natural Resources, Nisky Center, Suite 231, No. 45A Estate Nisky, Charlotte Amalie, St. Thomas, VI 00830. (809) 773-7081. **Washington:** State Historic Preservation Officer, Office of Archeology and Historic Preservation, 111 West 21st Avenue, KL-11, Olympia, WA 98504. (206) 753-4117. **West Virginia:** Commissioner, Department of Culture and History,

Capitol Complex, Charleston, WV 25304. (304) 348-0240.

Wisconsin: Director, Historical Preservation Division, State Historical Society of Wisconsin, 816 State Street, Madison, WI 53706. (608) 262-2971. **Wyoming:** Director, Wyoming State Archives, Museums and Historical Department, Barrett Building, 2301 Central Avenue, Cheyenne, WY 82002. (307) 777-6301.

Clemson University



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Bedford Building, Boston, Massachusetts

COURTESY BRUCE T. MARTIN



For Further Information:

Additional information on certification, guidelines for applying the Standards for Rehabilitation and other useful publications are available from the appropriate SHPO or NPS regional office at the addresses provided.

The School House, Mechanicsburg, Pennsylvania

COURTESY HISTORIC LANDMARKS FOR LIVING

